

Message Text

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PAGE 01 STATE 117961

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TO AMEMBASSY OTTAWA

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FOLL SENT ACTION SECSTATE INFO EC BRUSSELS OECD BERN BONN

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ROME STOCKHOLM VIENNA FROM GENEVA 01 JUN 73 REPEATED TO YOU QUOTE

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E. O. 11652: N/ A

TAGS: ETRD, GATT, EEC, SZ, AU, IC, PO, SW

SUBJECT: GATT WORKING PARTIES ON EC- EFTA

REF: GENEVA A-313

SUMMARY: GATT WORKING PARTIES CONSIDERED EC AGREEMENTS WITH
SWITZERLAND, SWEDEN, AUSTRIA, PORTUGAL AND ICELAND MAY 28-30. U. S.
OPENED DISCUSSION WITH COMPREHENSIVE POSITION STATEMENT ASSERTING
ALL FIVE AGREEMENTS ARE PREFERENTIAL ARRANGEMENTS, NOT FREE TRADE
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PAGE 02 STATE 117961

AREAS, AND WILL SEVERELY IMPAIR THIRD- COUNTRY INTERESTS. RESTRICTIVE RULES OF ORIGIN (RULES) EMPHASIZED AND EXCLUSION OF AGRICULTURAL SECTOR NOTED AS INCONSISTENT ARTICLE XXIV. U. S. POSITION SUPPORTED GENERALLY BY CANADA, JAPAN, POLAND, YUGOSLAVIA, ROMANIA AND BRAZIL AND OPPOSED ONLY BY PARTIES TO AGREEMENTS. IN FOLLOWING SESSION WP, U. S. DELEGATE ASKED SERIES OF QUESTIONS DESIGNED EMPHASIZE THAT RULES CONTRAVENE GATT ARTICLE XXIV AND WILL SERIOUSLY INJURE NON- MEMBER TRADE IN INTERMEDIATE PRODUCTS. CANADIAN DELEGATE LENT STRONG SUPPORT IN QUESTIONS, YUGOSLAVIA AND BRAZIL HIT AT ADVERSE IMPACT ON DEVELOPING COUNTRIES. RESPONSE OF PARTIES GENERALLY DEFENSIVE AND OCCASIONALLY EVASIVE. NO ATTEMPT MADE REFUTE SPECIFIC U. S. DATA; PARTIES MERELY STATED THEY CONSIDERED IT IRRELEVANT AND ASSERTED AGREEMENTS CONSISTENT ARTICLE XXIV. FURTHER MEETING DATES NOT AGREED. END SUMMARY.

1. U. S. (MILLER) IN COMPREHENSIVE STATEMENT (TEXT REPAIR) ARGUED THAT EC- EFTA AGREEMENTS (A) ARE PREFERENTIAL ARRANGEMENTS, NOT FREE TRADE AREAS, AND THEREFORE CONTRARY LETTER AND SPIRIT ARTICLE XXIV; (B) SEVERELY IMPAIR U. S. AND OTHER THIRD- COUNTRY TRADE INTERESTS; AND (C) CONSTITUTE DEROGATION FROM MFN PRINCIPLE INVOLVING SIGNIFICANT AMOUNTS OF TRADE. STATEMENT THEN DETAILED U. S. ARGUMENT THAT, BECAUSE OF RULES, THESE AGREEMENTS NOT CONSISTENT WITH PURPOSE OF FREE TRADE AREAS AS STATED ARTICLE XXIV:4; DO NOT PROVIDE FOR ELIMINATION OF DUTIES AND OTHER RESTRICTIVE REGULATIONS OF COMMERCE AS REQUIRED ARTICLE XXIV:8(B) BECAUSE OF EXCLUSION AGRICULTURE AND EFFECTS OF RULES; INCLUDE REGULATIONS OF COMMERCE MORE RESTRICTIVE THAN PRIOR TO FORMATION OF FREE TRADE AREAS IN CONFLICT ARTICLE XXIV:5(B); AND INCREASE COMPLEXITY OF IMPORT AND EXPORT FORMALITIES IN CONTRAVENTION OF ARTICLE VIII. (ALL FOUR ARGUMENTS RELATE TO RULES TO ORIGIN; 24:8(B) ARGUMENT ALSO TO EXCLUSION OF AGRICULTURE.) IFWMB SUBSEQUENT U. S. POINTS BROUGHT OUT THAT APPROXIMATELY HALF TOTAL U. S. INDUSTRIAL EXPORTS TO EC- EFTA AFFECTED BY RULES; IN NEARLY 20 PER CENT OF TARIFF HEADINGS RULES WILL LIMIT NON- MEMBER PARTS TO 5 PER CENT OF VALUE OF FINISHED PRODUCT OF SAME TARIFF HEADING; IN ADDITIONAL 17 PER CENT OF HEADINGS RULES WILL SIMILARLY LIMIT VALUE NON- MEMBER PARTS TO 20 PER CENT VALUE FINISHED ITEM; ADDITIONAL RULES HIGHLY RESTRICTIVE BY REQUIRING MANY PRODUCTION STAGES BE DONE BY ORIGIN FIRMS; NEW RULES VASTLY MORE RESTRICTIVE THAN ORIGINAL EFTA RULES, TO EXTENT POSSIBLE TO ANALYZE.

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PAGE 03 STATE 117961

3. EC (ABBOTT) AND SWITZERLAND (DUNKEL), WHO, SINCE SWISS AGREEMENT CAME FIRST, SUBJECT TO MOST OF QUESTIONING CLAIMED IT IMPOSSIBLE COMPARE " DOG" OF NEW RULES WITH " CAT" OF EFTA RULES. CANADA (DYMOND) EMPHASIZED CONCERN OVER RULES SUGGESTING EFTA HAD NOT CHANGED TO DOG BUT TO DANGEROUS TIGER. ALSO ARGUED THAT PROVISIONS PERTAINING TO AGRICULTURE IN SOME ARRANGEMENTS PROVIDE FOR PREFERENTIAL DUTY, NOT DUTY- FREE TREATMENT; THESE PREFERENTIAL

RATES NOT JUSTIFIED BY CLAIM THAT FREE TRADE AREA ESTABLISHED.
U. S. SUPPORTED POINT THAT ARTICLE 24 DOES NOT AUTHORIZE DISCRIMINATION WHERE DUTIES NOT REMOVED.

4. BRAZIL, YUGOSLAVIA AND OTHER LDCS NOTED AGREEMENTS WOULD ELIMINATE PREFERENCE MARGINS ENJOYED UNDER GSP. AS THEIR CONDITIONS OF ACCESS WOULD NOW BE LESS FAVORABLE THAN EC/ EFTA PARTNERS, THEY URGED PARTIES PUT LDCS ON EQUAL FOOTING.

5. EC- EFTA DEFENSE STATED AGREEMENTS PROVIDE FOR ELIMINATION OF DUTIES AND OTHER RESTRICTIVE REGULATIONS OF COMMERCE OVER GREAT PERCENTAGE OF TRADE; COMPARISON RULES WITH EFTA NOT VALID SINCE CONDTICO
S DIFFERENT (OLD EFTA VALUE- ADDED PERCENTAGES NO LONGER APPLICABLE SINCE FORMER OUTSIDE SUPPLIERS NOW INCLUDED IN TRADING AREA); RULES WERE NOT PICKED OUT OF HAT, BUT DESIGNED TO PREVENT TRADE DEFLECTIONS; LDCS WOULD BE COMPENSATED FOR EROSION OF GSP PREFERENCE MARGIN BY INCREASED IMPORT DEMAND RESULTING FROM AGREEMENTS' STIMULATION OF EC/ EFTA ECONOMIES; FURTHER IMPROVEMENTS IN GSP SCHEMES ALSO CONTEMPLATED. CONTRARY TO PREVIOUS U. S. UNDERSTANDING, EC SAID DUTY DRAWBACK PERMITTED ON OUTSIDE COMPONENTS IF FINISHED PRODUCT DOES NOT QUALIFY FOR ORIGIN STATUS.

6. JAPAN (OHNO) ASSERTED RULES MUST BE NUTRAL TO TRADE FOLOW, BUT THAT THESE RULES WILL BE MORE RESTRICTIVE. CONCERNED ALSO THAT CHANGES IN TRADE PATTERNS MIGHT LESSEN PERCENTAGE TRADE FREED BY AGREEMENTS IN FUTURE.

7. SEVERAL DELS VOICED CONCERN OVER SAFEGUARD PROVISIONS IN AGREEMENTS SINCE NOT COMPLETELY SPELLED OUT HOW THESE WILL BE APPLIED.

8. WORKING PARTIES AGREED THERE SHOULD BE FURTHER MEETING AFTER CPS HAD RECEIVED FURTHER DATA (EXPECTED ABOUT JUNE 15), BOTH TO
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PAGE 04 STATE 117961

GIVE OPPORTUNITY FOR FURTHER SUBSTANTIVE DEBATE AND TO CONSIDER REPORT. U. S. ADVOCATED LATE JULY; PARTIES TO AGREEMENTS URGED LATE JUNE. CHAIR PROPOSED AND WPS AGREED DATE WOULD BE LEFT IN CONSULTATION WITH DELEGATIONS CONCERNED. BASSIN

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